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SERVICE DATE - JULY 24, 2000

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FR-4915-00-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 33898]

Watco Company, Inc., South Kansas and Oklahoma Railroad Company, Palouse River & Coulee City Railroad, Inc., Southeast Kansas Railroad Company, and Blue Mountain Railroad, Inc.—Corporate Family Transaction Exemption

Watco Company, Inc. (Watco), South Kansas and Oklahoma Railroad Company (SKO), Palouse River & Coulee City Railroad, Inc. (PRCC), Southeast Kansas Railroad Company (SEK), and Blue Mountain Railroad, Inc. (BMR) have filed a verified notice of exemption.¹ The exempt transaction involves the merger of SEK into SKO, with SKO as the surviving corporation, and the merger of BMR into PRCC, with PRCC as the surviving corporation.

The transaction was expected to be consummated on or shortly after July 7, 2000.

The transaction is intended to simplify Watco's corporate structure and eliminate costs associated with separate accounting, tax, bookkeeping and reporting functions. In addition, the transaction will enhance the operating economies of, and improve service on, the two surviving carriers.

¹ Watco, a noncarrier, directly controls SKO and PRCC. SKO, in turn, owns all of the outstanding stock of SEK, and PRCC, in turn, owns all of the outstanding stock of BMR.

This is a transaction within a corporate family of the type specifically exempted from prior review and approval under 49 CFR 1180.2(d)(3). The parties state that the transaction will not result in adverse changes in service levels, significant operational changes, or a change in the competitive balance with carriers outside the corporate family.

Under 49 U.S.C. 10502(g), the Board may not use its exemption authority to relieve a rail carrier of its statutory obligation to protect the interests of its employees. Section 11326(c), however, does not provide for labor protection for transactions under sections 11324 and 11325 that involve only Class III rail carriers. Because this transaction involves Class III rail carriers only, the Board, under the statute, may not impose labor protective conditions for this transaction.

If the verified notice contains false or misleading information, the exemption is void ab initio. Petitions to reopen the proceeding to revoke the exemption under 49 U.S.C. 10502(d) may be filed at any time. The filing of a petition to reopen will not automatically stay the transaction.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 33898, must be filed with the Surface Transportation Board, Office of the Secretary, Case Control Unit, 1925 K Street, N.W., Washington, DC 20423-0001. In addition, a copy of each pleading must be served on Karl Morell, Esq., Ball Janik LLP, 1455 F Street, N.W., Suite 225, Washington, DC 20005.

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Decided: July 13, 2000.

By the Board, Joseph H. Dettmar, Acting Director, Office of Proceedings.

Vernon A. Williams

Secretary